

Appearance of Mr. L. Wilkinson, Economics Adviser,
before Ferguson Investigating Committee on 18 December
1948, Berlin, Germany. (This is the corrected transcript.)

Present:

Mr. L. Wilkinson, Economics Adviser, OMGUS
Following members of Decartelization Mission:
Mr. Garland S. Ferguson
Mr. W. H. England
Mr. Samuel S. Isseks
Mr. John C. Stedman
Mr. Andrew T. Kearney
Mr. W. N. Mitchell

Mr. Ferguson : Mr. Wilkinson, I think it will help a little bit if you tell us something about your job and background.

Mr. Wilkinson : I am the Economics Adviser to the Military Governor, and I am responsible for the formulation of policy and recommendation for action in the fields of industry, food and agriculture, trade and commerce, transportation, communications, decartelization, reparations and restitutions. I am 43 years old, banker by profession, entered the Army in 1941, was discharged as a Colonel in August 1947. I have been overseas for six years, and have been with Military Government for 2½ years. During this latter period, I have served successively as Chief, Industry Branch, Economics Division, OMGUS; Deputy Director, Economics Division; Director, Economics Division; and Economics Adviser.

Does that cover about what you want?

Mr. Ferguson : Yes.

Mr. Kearney : You work directly under General Clay?

Mr. Wilkinson : Yes.

Mr. Ferguson : Mr. Bronson - is he under you? Are you his superior?

Mr. Wilkinson : He is responsible to me through functional policy channels. He is under the administrative control of the Bipartite Control Office.

Mr. Ferguson : How does Mr. Hawkins fit in?

Mr. Wilkinson : Mr. Hawkins is at the same time Director of the Property Division, OMGUS, and Deputy Economics Adviser.

Mr. Ferguson : I see. So neither Mr. Bronson nor Mr. Hawkins reports directly to you or do they report to General Clay? I don't quite understand as yet how --

Mr. Wilkinson : Mr. Hawkins is my deputy. He is, at the same time, Director of the Property Division. And so he reports to General Clay through me, and, also, directly to General Clay. Mr. Bronson reports to me on policy matters.

Mr. Ferguson : I see. I can't think of anything else right now to ask you.

Mr. Wilkinson : (Directed to Mr. Kearney) Do you have any question?

Mr. Kearney : No, my question was answered in what you dictated.

Mr. Wilkinson says his general statement is all embraced in this document. If he desires to elaborate in any way on the problems and difficulties that are encountered in any way on the administrative and the many elements that have to be considered in carrying out the... we shall be glad to hear them. We are particularly interested in deconcentration and decartelization. We would be glad to hear about that.

Mr. Wilkinson : That's a rather broad invitation.
The difficulties in the field of decartelization have, in my opinion, been very largely overcome through a rather painful and long drawn-out process of adjustment in the general field of economics. We are, at the moment, at a peak of economic recovery, and while our problems are extremely numerous, I do not feel that there is any one that needs to be singled out except as it may later develop as an item of particular interest to you.

Mr. Kearney : What we are trying to do is to get a picture of the problems that this administration has had to cope with in connection with deconcentration and decartelization. I think you can see why we would need to understand those problems, so I think we would all like to give you every I do not want to be asking a whole lot of questions, or saying something here that is an invitation

Mr. Wilkinson : I don't think the problems here are basically any different than those at home. One has the same basic objectives. One has the same divergencies of interest among the industrial interests that are affected. I don't feel there is anything unique in our decartelization policy or in the reaction of the Germans to the decartelization policy. It is new in Germany, whereas we have known it in the United States for many years, but aside from that, the basic reactions seem to be the same. I do feel that the general statement made in this memorandum indicates fairly clearly the considerations which have affected the development of the decartelization law and the enforcement of that law, and indicates quite clearly the current status of enforcement of the law.

Mr. Isseks : You are referring to the so-called "White Paper"?

Mr. Wilkinson : Yes.

Mr. Isseks : I have a few questions, Mr. Wilkinson. I would like to know whether or not you have ever been a lawyer.

Mr. Wilkinson : No, never.

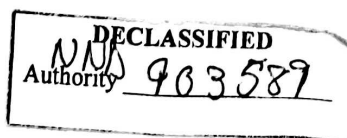
Mr. Isseks : When you first worked in the Economics Division, who was your superior?

Mr. Wilkinson : General Draper.

Mr. Isseks : For how long a period of time did you work for him before you became Economics Adviser - roughly, not exactly?

Mr. Wilkinson : Approximately one year.

Mr. Isseks : Now, Mr. Wilkinson, I want to ask you some questions about some documents given to us by Mr. Bronson, who has been very cooperative in furnishing us documents, and who has made all of the files of decartelization and deconcentration available to our group - particularly, to Mr. Stedman of my group and to Mr. -- of Mr. Ferguson's group. What I would like to ask you about these documents is very simple, and if you want to make any additions to what is stated in the documents, go ahead. And if you want to furnish us with any information about what happened in the past, I wish you would do it, because I want to make it clear on the record and otherwise that while I have been appointed by the Attorney General of the United States, we want all the facts. We do not want any facts that we just pick out. We don't want so that anyone will ever say that we were not furnished with all the facts. I want to make that clear. We want to get the basic facts on deconcentration and decartelization - nothing else. We hadn't seen the statement issued by Mr. Royall until after we left Frankfurt this morning. We are hoping to find out what's going on ...



Mr. Wilkinson, I'll show you a memorandum dated 30 September 1947 from Phillips Hawkins to Director of Economics Division, and reply dated 9 October, from L. Wilkinson, Director, to Chief, Decartelization Branch. My question is very simple in each case. Do you recall having seen the first letter, and do you have any recollection of having signed the second one?

Mr. Wilkinson : I presumably signed it. I do not specifically recall it.

Mr. Isseks : But there's no doubt in your mind that you've seen it?

Mr. Wilkinson : No.

Mr. Isseks : Now, we have received from Mr. Bronson a copy of a memorandum, dated December 22, 1947 (the original was apparently signed by him), addressed to Director, Economics Division, subject: "Status of the Decartelization program, U. S. Zone." My question is, do you have any recollection receiving it?

Mr. Wilkinson : Yes, I recall that.

Mr. Isseks : Document referred to is Exhibit 15.

Now, I will show you a memorandum dated July 16, 1947, from Mr. Collison to you, subject: "The Effect on the Industrial Economy in the Combined Zone of the further Dismantling of the firm Kugelfischer". I ask you whether you have any recollection of receiving the original?

Mr. Wilkinson : Yes, I do remember it.

Mr. Isseks : I will mark it Exhibit 33.

Now, I'll show you a memorandum dated July 22, 1947, by Mr. Collison, in which he purports to quote you regarding the same subject - "The Effect on the Industrial Economy in the Combined Zone, etc," and the question is whether he correctly quotes you? I wonder if you would tell us if Mr. Collison correctly quotes you, or if not, your recollection of what happened? I marked that Exhibit 34.

Mr. Wilkinson : Yes, that's correct.

Mr. Isseks : Then, I'll show you a memorandum, dated February 2, 1948, marked Exhibit 26, from Mr. Bronson to you, subject: "Roller Bearing Industry, VKF". In paragraph 2, Mr. Bronson purportedly quotes a conversation with you of the previous day. In that connection, you might want to look at your reply, dated February 3, 1948, marked Exhibit 26-A.

Mr. Wilkinson : The answer on that is - I recall both of those - 26 and 26-A.

Mr. Isseks : Now, Mr. Wilkinson, I'll show you a memorandum which is dated 4 May 1948, from Mr. Bartels to Mr. Bronson, subject: "Anti-Friction Bearing Industry", marked Exhibit 35. In paragraph 5, in the third sentence, the writer purports to state what you did in connection with the VKF matter, and my question is whether he correctly states what transpired, and if you wish, I would like to have you clarify what he states happened. Memorandum attached, which I have marked Exhibit 35 - that is from Mr. Bartels to Mr. Bronson, subject: "Anti-Friction Bearing Industry, General Clay's Conference". That might help refresh your recollection.

Mr. Wilkinson : I do not know the source of Mr. Bartels' information. He is incorrect in stating that "I entered into an agreement with SKF substantially to the effect that our recommendations would not be carried out". The rest of it is a matter of opinion of Mr. Bartels, on which I have no comment.

Mr. Isseks : Mr. Wilkinson, would you mind telling us what your recollection is, and if there is any memorandum which would refresh your recollection, we would appreciate it if you would furnish us with it.

Mr. Wilkinson : If I have it, you can have it.

Mr. Isseks : Would you tell us what conversations transpired with SKF?

Mr. Wilkinson : Two representatives of SKF called on me. I can't recall the names but they probably would appear somewhere in the file, and made two points; (1) they challenged our right to decartelize them, (2) They challenged our right to remove equipment from their plant for installation in place of dismantled Kugelfischer equipment. I informed them that we had complete power in both fields, and would exercise it according to our normal procedures. One of the Swedes asked for an indication of the timing of decartelization actions which might be taken against VKF. I replied that their company had been under study for a long time, but that I did not know that any immediate action was pending.

Mr. Isseks : If there are any memoranda, Mr. Wilkinson, concerning this, or even if you want it made up now, I would appreciate having it.

Mr. Wilkinson : If there is anything in the files, you can have it.

Mr. Isseks : Now, I'll show you two memoranda, one marked Exhibit 11, dated 10 March 48, from Mr. Bronson to you, which states: "Attached hereto is a memorandum that I have prepared of the discussion with General Clay which took place on 9 March, and which you and Mr. Hawkins attended. I would appreciate very much your comments as to the correctness of my understanding of the statement made by General Clay and the views expressed by the various individuals present at the meeting, and your concurrence of this memorandum, if it does conform to your understanding. I desire all this as a matter of record for my own office."

Mr. Isseks, cont'd: Now, will you please read the attached memorandum and let us know whether or not it, in substance, sets forth what transpired at the meeting referred to in the memorandum.

Mr. Wilkinson: Where is my reply to this? Don't you have that?

Mr. Isseks : No.

Mr. Wilkinson: I did not agree with Mr. Bronson, and so wrote him on the same carrier sheet he wrote me.

Mr. Isseks : Can you give us a copy of your reply?

Mr. Wilkinson: I do not know whether I can get it in the next five minutes, but I will have it for you in the morning.

Mr. Isseks : Can you tell us now, briefly, if you do agree with him as to what transpired at the meeting?

Mr. Wilkinson: I think my memorandum would be the best answer to that. I would prefer to give it to you.

Mr. Isseks : You can send it to Frankfurt.

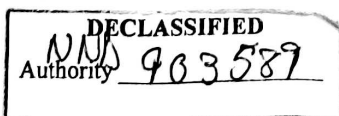
Mr. Wilkinson: I said I could not get it in the next five minutes, but I can have it for you tomorrow.

Mr. Isseks : Do you recall what transpired at the meeting?

Mr. Wilkinson: Yes, I have a good general recollection.

?? : But, he said the memorandum would be the best thing.

Mr. Wilkinson: My memorandum written in reply to Mr. Bronson's statement would obviously be a better statement for you.



Mr. Isseks : Do you have any recollection whether there was any talk of a change in policy at that time, or, again, would you prefer that we look at your memorandum?

Mr. Wilkinson: "Change of policy" is hardly descriptive. The conversation was directed toward a decision by General Clay as to the next steps to be taken in the enforcement of our existing policy.

Mr. Isseks : I would like to ask you - was the policy as continued - was there a change of emphasis on consumer goods rather than heavy industry?

Mr. Wilkinson: The point, as I recall it, was that General Clay felt a monopoly or cartel arrangement in the field of consumer goods would have such a direct impact upon the common people that it would create an intolerable position if we did not intervene. In the field of heavy equipment, particularly locomotives, where there were relatively few suppliers in the field and only one customer, the Reichsbahn, he felt that the concentration of the business in a few hands would not have an equally serious effect upon the economy, and the Reichsbahn would be in a position to defend itself, in any case. I do not recall any further discussion of heavy industry. The company here referred to was Henschel.

Mr. Isseks : Was there any discussion at that time about VKF?

Mr. Wilkinson: I believe there was. I believe that I reported the arrangement whereby machinery was being transferred from VKF to Kugelfischer. I stressed the great industrial importance of ball bearing production during the year 1948, and recommended that any deconcentration action against VKF be held in abeyance until we could see the effect of the revival of Kugelfischer, and until we were in a more satisfactory supply position as regards ball bearings. ✓

Mr. Isseks : Now, Mr. Wilkinson, we have here a memorandum from Mr. Barron of Mr. Bronson's office, dated 30 August 48, to which is attached a telegram from Mr. Bronson to your office, dated 2 September 48, attention Mr. Hawkins. In a paragraph marked 1d, under the heading "(Quoted paper not available to steno).

My question is whether you have any recollection of whether or not Mr. Bronson's statement in that regard is as you recall it?

Mr. Wilkinson: The Decartelization Branch was instructed not to take action against either Henschel or VKF until further instructed by this headquarters. ✓

Mr. Isseks : Thank you. Now, Mr. Wilkinson, I'll show you a document marked Exhibit 27A, to which is attached a covering letter from Mr. Bronson to Mr. Hawkins marked Exhibit 27. Exhibit 27A is a memorandum, dated 27 May 48 from Mr. Bronson to General Clay, through the Economics Adviser, subject: "Deconcentration Proceedings against Comparatively Inactive Consumer Goods Industry". Attached to both documents is a memorandum, marked Exhibit 27B, dated 26 May 48, subject: "Deconcentration of

My question is whether you have any recollection of having this subject matter brought to your attention by Mr. Hawkins? I think you will have to read it to understand it properly.

Mr. Wilkinson: Yes, I recall this.

Mr. Isseks : Now, Mr. Wilkinson, I will show you some pencilled notes, which Mr. Bronson gave us from his files. One memorandum says, "Check with Larry. Bronson wants this to go to Clay. Write memorandum to Clay pointing out our opinion as opposed to Bronson's. P.H." Mr. Bronson has identified the "P.H." as Mr. Hawkins.

The second memorandum - "Phil, hold 'til Bronson is in town."

The third says, "Bronson's not smart. Don't see how it can be said 50% is a monopoly. Also, in reading report find the picture of the industry, which is unsavory, is a cartel aspect. Not have to worry about this any more as cartels outlawed. P.H."

My question is, do you remember the incident and what is your recollection of it?

Mr. Wilkinson: I am afraid I cannot identify these without any particular document. If they were attached to documents, I might recognize them.

Mr. Isseks : Do you mind --

Mr. Wilkinson: I'd be delighted to try to find such a document for you, but by themselves they do not mean anything to me.

Mr. Isseks : You do not have any recollection at all?

Mr. Wilkinson: I do not specifically recall those notes.

Mr. Isseks : Mr. Bronson said these pencilled memoranda, marked Exhibits 28, 28A, and 28B, are what he got back from Mr. Hawkins relating to the memoranda already marked Exhibits 27, 27A, and 27B, and my question is do you recall any talks with Mr. Hawkins about the subject matter of 27A?

Mr. Wilkinson: Yes, I do, and with that explanation of the origin of the notes, I think they reflect the points which were made in my conversation with Mr. Hawkins.

Mr. Isseks : Now, do you know whether or not, by looking at the notes, the subject matter was submitted to General Clay?

Mr. Wilkinson: I'm afraid I'm completely blank on that one.

Mr. Isseks : One of the notes says, "Not submit". I do not know what it means.

Mr. Wilkinson: I assume that it was our decision not to send it to General Clay.

Mr. Isseks : Mr. Wilkinson, I have a specific question on Robert Bosch. Did you ever have any conversation with a fellow by the name of Wilson regarding Bosch?

Mr. Wilkinson: I have had several conversations with Mr. Wilson regarding Bosch, in the last year and a half.

Mr. Isseks : We are interested in -- deconcentration proceedings. Have you had any talks with General Wilson about that subject matter, and if so, tell us about that? Can you tell us when and where these conversations took place.

Mr. Wilkinson: I cannot give an exact time. The place was certainly in this office, and was during one of the numerous flying visits made by General Wilson to Berlin during the last year and a half.

Mr. Isseks : Maybe I can help you fix the time, Mr. Wilkinson. According to this document, that has been called by various people the White Paper, and which has been marked Exhibit 13, the date of the filing or serving of the determination and directive against Robert Bosch is on March 25, 1948. Were any of these conversations with Mr. Wilson before that date?

Mr. Wilkinson: Some of my conversations with General Wilson were before that date. In at least one conversation last year, General Wilson referred to the unreasonableness of decartelization measures which he understood were pending against Bosch. I informed him that we were proceeding under a decartelization law which would be enforced wherever applicable, and that if he had any specific arguments to put forward concerning the position of the Decartelization Branch, he should take the matter up with that Branch. Does that answer it?

Mr. Isseks : Yes, sir. Do you have any recollection of any other conversations, either before the time of the directive or after, on the subject of the decentralization of Bosch, and if you do, would you please give it to us in substance?

Mr. Wilkinson: During no conversation was decentralization ever the principal subject. General Wilson covered a great many aspects of his business and personal affairs, and on more than one occasion reiterated his belief that decartelization measures in the case of Bosch were unrealistic. In each instance, my answer was either a smile or a reference to the Decartelization Branch.

Mr. Isseks : I'll show you a document marked Exhibit 4B - a copy of a letter dated 14 June 48, from John French of the Joint Export-Import Agency to Mr. Bronson, really to the Bipartite Control Office, attention Mr. Bronson. In paragraph 3, the writer states that the same letter is being sent to the Economics Adviser. I'll show you a copy of a letter dated 19 June 48 from Mr. Hawkins, as Director, Property Division and Deputy Economics Adviser, to Mr. French. My question is whether you approved what Mr. Hawkins wrote as Deputy Economics Adviser?

Mr. Wilkinson: I did approve it.

Mr. Isseks Now, Mr. Bronson stated that he had conversations with you before you approved it. Do you have any recollection of conversations with Mr. Bronson about this subject matter, which is the proposed exclusive agency agreement between Robert Bosch and the Industrial Products Trading Company.

Mr. Wilkinson: I did discuss the problem posed by the negotiation of an exclusive agency agreement between Bosch and the Industrial Products Trading Company. I pointed out to both Mr. Bronson and Mr. Hawkins, as well as officials of the JEIA, the danger inherent in such an agreement, and instructed all of them to screen it most carefully for compliance with Military Government regulations and laws.

Mr. Isseks : Do you have any recollection, sir, of having any conversations with General Wilson about that agreement as distinguished from decentralization and decartelization of Robert Bosch?

Mr. Wilkinson: I do. I informed General Wilson that the question of an exclusive agency for Bosch was primarily one for the JEIA, and, secondarily, for screening by appropriate Military Government authorities as to legality, and that I had instructed the agencies concerned to scrutinize the proposed contract most carefully.

Mr. Isseks : Mr. Wilkinson, are you familiar with the fact that the British, through Brigadier Oxborrow and his subordinates, have now asked the Decartelization Branch to reopen the entire question of that agreement?

Mr. Wilkinson: I have been so informed.

Mr. Isseks : By whom, sir?

Mr. Wilkinson: By Mr. Hawkins and Mr. Bronson.

Mr. Isseks : Have you taken any steps yourself toward having the matter reconsidered other than to talk with Mr. Hawkins and Mr. Bronson?

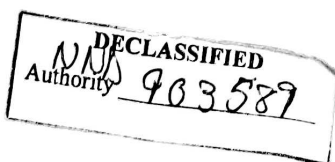
Mr. Wilkinson: I have given instruction to Mr. Bronson to press the British to complete their investigation at the earliest possible moment and to forward to us without delay any pertinent facts as they are developed so that we may, in conjunction with our British colleagues, determine whether any review or cancellation of existing arrangements is desirable.

Mr. Isseks : Now, sir, do your duties include a knowledge of the operation of the plants of I. G. Farben in the U. S. Zone?

Mr. Wilkinson: That's rather a broad question - knowledge of operation!

Mr. Isseks : I mean, do you have any official function?

Mr. Wilkinson: That's a German responsibility - not Military Government.



Mr. Isseks : We understand from Mr. Bronson and Mr. Maupin that there is some relation between I. G. Farben Control Office and the Military Government office. My only question is whether you have any responsibility in connection with it?

Mr. Wilkinson: I do, but that is not embraced in your previous question.

Mr. Isseks : What I am trying to find out is whether you have any official responsibility by way of discussing with the I. G. Farben Control people, namely, the U. S. representatives, regarding the manner in which I. G. Farben plants are being operated in the American Zone?

Mr. Wilkinson: Not directly. My only contact with I. G. Farben Control has been through Mr. Bronson.

Mr. Isseks : Do you know whether the plants are operated as independent units?

Mr. Wilkinson: I have no direct knowledge. I rely on the reports made to me by my subordinates, who inform me that they are operated as independent units.

Mr. Isseks : Are you familiar with the operation of the steel and iron plants in the British Zone?

Mr. Wilkinson: Reasonably familiar.

Mr. Isseks : We would appreciate it if you would give us the best information you have as to the manner in which the plants are operated in the British Zone.

Mr. Wilkinson: The steel and iron industry of the British Zone was taken into the control of the British Military Governor in the fall of 1946, I believe. He appointed a Comptroller, who, from that time until the promulgation of Law 75, virtually exercised complete control over the finances and management of the steel and iron industry of the British Zone.

Mr. Isseks : Do you know whether he operated them as separate units, or were they combined as a group of companies?

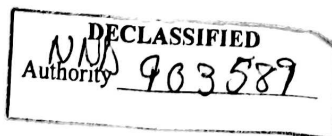
Mr. Wilkinson: I do not really know what the distinction would be. On his books, the income from all the companies was pooled, and the outgo was pooled. The effect was to make the proceeds of the more efficient plants available to pay the losses of the less deficient plants. I would say that that constituted a group operation. Nevertheless, it is my understanding that the individual plants did keep their own separate books.

Mr. Isseks : Now, are you familiar with the history of Law 75, which you just mentioned?

Mr. Wilkinson: Reasonably.

Mr. Isseks : Would you explain it to us, briefly?

Mr. Wilkinson: Ever since the economic fusion of the U.S. and U.K. Zones, U.S. Military Government has been pressing for the establishment of a genuinely bipartite control of the Ruhr steel industry. For many reasons, not the least of which was the fact that a large British staff was already installed and the American technical staff was extremely small, the practical implementation of U.S. Military Government desires was delayed. It was finally determined that, as a result of the method of pooling proceeds and losses, all initiative had been removed from plant management, and in view of the extreme importance of a large increase in steel production, Military Government felt that some method of restoring individual initiative, U.S. individual management must be found, preferably under the guidance of a genuinely bipartitely controlled organization. In following out this objective, it was determined that as the only practical method of giving ownership responsibilities to plant managers without attempting to find a legal solution to the extremely complex problems of ownership, patents, etc., a trustee system was required. Law 75 was



drawn on the basis of several echelons of trustees, the top echelon having the responsibility of studying the grouping of the individual elements of the steel industry, recommending their regrouping with a view to obtaining maximum efficiency, while, at the same time, avoiding excessive concentrations of economic power. The question of eventual ownership of the industry was left in abeyance in order not to prejudge a final decision by the German people as to whether free enterprise or socialization was to prevail. The American position, needless to say, favored free enterprise. Does that cover it?

Mr. Isseks : -- . I would like to ask you about this document marked Exhibit 13. Beginning on the bottom of page 9 - last two lines that refer to this Law 75 - the second full sentence reads: (Quoted paper not available to steno).

I also call your attention to the second sentence in the next paragraph. (Quoted paper not available to steno).

My question now, sir, is whether those three sentences which I have read express not only Mr. Bronson's views, who gave it to us, but also your views?

Mr. Wilkinson: Yes, I would say so.

Mr. Isseks : I am asking for an opinion. In your opinion, will the law, as you understand it and as you have expressed it, and as set forth in the three sentences which we have read, will it interfere, if carried out as indicated, with the production of iron and steel in the U.S. and British Occupied Zones of Germany?

Mr. Wilkinson: On the contrary, it should result in a great improvement over the production obtained under the system in force prior to the enactment of Law 75.

Mr. Isseks : Have you expressed at any time since the enactment of Law 56, the view that any decentralization of industry by OMGUS or any of its branches would interfere with the increase of production in American Occupied Germany?

Mr. Wilkinson: Many times.

Mr. Isseks : Can you give us any specific cases?

Mr. Wilkinson: I can give a particular occasion. When a group of twelve editors from the U.S. were being briefed in Berlin on the economic situation, I stated, with Mr. James Martin, at that time Chief of the Decartelization Branch, at my elbow, that in the execution of Military Government policy in Germany, we were often faced with a situation where we pulled on the hand of a man lying on the floor and wondered why he didn't get to his feet in spite of the fact that we had one foot on his neck. I explained that the policies of the U.S. Government, as set forth in the Potsdam Agreement and in directives from the joint Chiefs of Staff to Military Government, called for important measures on demilitarization, reparations, restitution, denazification, and decartelization, which, in their execution, could not fail to have a most disruptive effect upon the other policies of Military Government which were directed toward the economic reconstruction of Germany. That is one occasion.

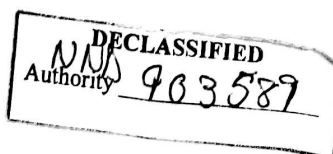
Mr. Isseks : Is that occasion referred to in a memorandum from General Clay to General Draper, marked Exhibit 25? Is that the occasion referred to?/a

Mr. Wilkinson: This is the first time I've seen this memorandum. I'm very glad to see it.

Mr. Isseks : --

Mr. Wilkinson: There are only three copies to the best of my knowledge - one in General Clay's file, one in General Draper's, and one General Clay gave to Mr. Martin, which Mr. Martin -- (off the record discussion).

Mr. Isseks : The memorandum I have just given you, from General Clay to General Draper, dated 10 October - is that the occasion referred to?



b/ Mr. Wilkinson: I assume so. *

Mr. Isseks : Unless you want to, Mr. Wilkinson, I am satisfied not to ask you about any other specific conversations in which you told anyone you thought decentralization of German industry might or would interfere with the increase in German production, but if you want to tell us about any, go right ahead.

✓ Mr. Wilkinson: In numerous conversations with members of the Decartelization Branch and with other officials of Military Government, and never to the press nor to Germans, I have expressed the fear that the blanket application of the anti-trust doctrines of the U.S. to the German economy would not only be futile but would also retard German recovery. I call particular attention to the word "blanket", because I have never disputed the necessity of carrying out our Government's policy to destroy excessive concentration of economic power in Germany. It has always been my concept that in a poor economy, with a reduced standard of living, every tendency will be toward centralization in an endeavor to avoid wastage of materials, manpower, and plant capacity. I have indicated my belief that the anti-trust policy, which I fully support in the U.S., which is a rich country which can afford to waste raw materials and manpower and plant capacity, is not necessarily to be applied to a country in Germany's reduced economic circumstances, with any hope of ultimate success of the program. I have further expressed the view that when and if the Americans withdraw from Germany, the inevitable tendency will be to immediately regroup and recentralize, not necessarily with any militaristic aggression in mind but in an endeavor to raise the German standard of living and to provide a more equitable distribution of goods.

Mr. Isseks : I would like to ask you a few more questions. Did you ever express your views with regard to the decentralization of German industry in the manner indicated by you to General Clay?

Mr. Wilkinson: Yes.

Mr. Isseks : On more than one occasion?

Mr. Wilkinson: No, only once.

Mr. Isseks : Did you ever express those views in the manner indicated by you to Mr. Hawkins?

Mr. Wilkinson: Yes.

Mr. Isseks : On more than one occasion?

Mr. Wilkinson: Yes.

Mr. Isseks : Many times?

Mr. Wilkinson: Yes.

Mr. Isseks : Did you ever express those views in the manner indicated by you to Mr. Bronson?

Mr. Wilkinson: Yes.

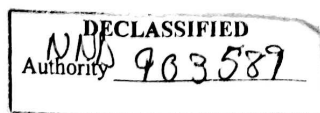
Mr. Isseks : On many occasions?

Mr. Wilkinson: Yes.

Mr. Isseks : Did you ever express those views in the manner indicated by you to General Draper?

✓ Mr. Wilkinson: Yes, but not on many occasions - maybe once or twice.

Mr. Isseks : Going back a little bit. Did General Draper agree with you? /b



✓ Mr. Wilkinson: I do not believe he ever indicated that he agreed with that entire line of reasoning. He agreed with my general conclusions, but I don't believe that he ever specifically agreed to the general line of reasoning. /C

Mr. Isseks : Did Mr. Bronson agree?

Mr. Wilkinson: No.

G/ Mr. Isseks : Did Mr. Hawkins agree with you?

Mr. Wilkinson: During the first few discussions that I had with Mr. Hawkins on this point he felt that it was useless to argue the point, since it was our Government's policy, and I agreed with him.

✓ Mr. Isseks : What happened later? Because your answer indicates that there was a change on his part, or if I am wrong, I wish you would indicate that.

Mr. Wilkinson: When he was no longer directly responsible for decartelization, he expressed reasonably general agreement with my views. /G

Mr. Isseks : Did you ever express your views on the effect of decentralization on the German economy, as stated by you in previous answers, to Mr. Spencer, who is head of the Commerce and Industry Group, Bipartite Control Office?

Mr. Wilkinson: I do not believe so.

Mr. Isseks : Did you ever express your views to Mr. Martin?

Mr. Wilkinson: The answer is yes.

Mr. Isseks : Did he agree with you?

Mr. Wilkinson: He did not.

Mr. Isseks : The next question is do you know of any specific case where decentralization or deconcentration of German industry by American Government or British Government has in fact interfered with the increase in production in the German economy?

Mr. Wilkinson: I do.

Mr. Isseks : Will you please tell us?

Mr. Wilkinson: In the steel industry of the British Zone.

Mr. Isseks : Tell us what heppened.

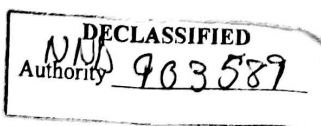
Mr. Wilkinson: The artificial and completely uneconomic division of the steel industry into 28 plants resulted in confusion, inefficiency, loss of morale, and loss of production.

Mr. Isseks : Isn't it a fact that steel production in the last year has increased substantially over the production of the previous year?

Mr. Wilkinson: It has practically doubled this year.

Mr. Isseks : And that has happened notwithstanding your views that decentralization in the steel industry has interfered with the progress of the German economy?

Mr. Wilkinson: My statement referred to the period during which this division of the steel industry was taking place. Since that time, it is my belief that a more intelligent division would have resulted in a more rapid and more effective increase in steel production than we have had.



Mr. Isseks : Is it your opinion now that decentralization of German industry will interfere with the increase of production in the U.S. and British Occupied Zones of Germany?

Mr. Wilkinson: What do you mean by decentralization?

Mr. Isseks : By decentralization I mean the carrying out of Law 56 and the carrying out of the directives pursuant to the provision of the Potsdam Agreement.

Mr. Wilkinson: I do not consider that the intelligent application of Law 56, which, in turn, derives from the Potsdam Agreement, will have an adverse effect upon the German economy.

Mr. Isseks : Are you of the opinion that Law 56 should be carried out with regard to its provision for decentralization?

Mr. Wilkinson: I am.

Mr. Isseks : Notwithstanding your views that decentralization ... might interfere with increased production?

Mr. Wilkinson: I believe you are misquoting me. My views were based upon the assumption that there would be a blanket application of the U.S. anti-trust policy in Germany.

Mr. Isseks : Do you think that decentralization should be used to control the war potential of German industry?

Mr. Wilkinson: I believe that it is one of the most useful means of controlling German war potential.

Mr. Isseks : I have no further questions.

